


MEMORANDUM

To: Theresa Bober, Manager
Business Administration Office

Date: December 7, 2009

From:



Susan R. Villa, Fiscal Services Branch Manager
Administration and Finance Division

CALIFORNIA INTEGRATED WASTE MANAGEMENT BOARD

**Subject: FINAL AUDIT REPORT OF CONTRACT NUMBERS
#IWM05025, #IWM5026, #IWM05030 AND #IWM05067**

The Audits and Evaluations Unit completed an audit of the California Integrated Waste Management Board's (Board) contract with A.J. Diani Construction, R.W. Beck Inc., San Luis Obispo County Office of Education, and the State Education Environment Roundtable, managed by the Business Administration Office (BAO). The audit was conducted in accordance with the *Government Auditing Standards*, issued by the Comptroller General of the United States.

Audits and Evaluations Unit auditor, Gladys Onejeme, reviewed contract records to verify and validate the administration and execution of the four contracts. The time period audited was from January 1, 2006 through December 31, 2009.

The purpose of this audit was to determine whether BAO was in compliance with the Board's Strategic Directive 10; Board Administrative Manual, Section 8000, and the State Administrative Manual, Chapter, and Contract.

The enclosed report is for your information and use. The BAO's response to the report finding is incorporated into this final report. The BAO agreed with our observations. The observation in the report is intended to assist management in focusing attention on areas of risk, strengthening internal control, and improving operations.

Theresa Bober
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The following findings were disclosed:

FINDING 1- Incomplete Contract Management System

Condition: The Contract Management System (CMS) database does not include sufficient data to assist contract managers or auditors in obtaining detailed contract information.

Recommendation: The CMS database should be maintained with complete accurate and current contract information.

FINDING 2- Missing Contract

Condition: The BAO could not provide the files for Contract Number #IWM05026, State Education & Environment Roundtable.

Recommendation: The contract analyst should ensure that all contract files are properly and accurately maintained, and use a check-out system when a file is removed.

The BAO's response to the report findings is incorporated into this final report. The response addressed corrective action for the findings.

We appreciate the assistance and cooperation of the BAO staff. If you have any questions please contact Gladys Onejeme, Staff Services Management Auditor, at (916) 324-6892 or gonejeme@ciwmb.ca.gov.

cc: Calvin Young, Integrated Waste Management Supervisor
Wes Mindermann, Waste Management Engineer (Supervisor)
Don Peri, Senior Integrated Waste Management Specialist
Cheryl Williams, Integrated Waste Management Specialist
Christy Porter Humpert, Senior Integrated Waste Management Specialist
Sarah Keck, Accounting Administrator 1 (Supervisor)
Gladys Onejeme, Staff Services Management Auditor,
Audits and Evaluations Unit
Board Audits and Evaluations Unit File

CONTRACT AUDIT

BUSINESS ADMINISTRATION OFFICE

Final Audit Report

**For the Period January 1, 2006
through December 31, 2009**

**Prepared By:
California Integrated Waste Management Board
Audits and Evaluations Unit**

December 2009

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AUDIT REPORT

Period Audited: January 1, 2006 through December 31, 2009

Audit Start Date: June 15, 2009

Department/Division: Business Administration Office

Contact Person: Theresa Bober, Manager

Phone Number: (916) 341-6617

E-mail Address: TBober@ciwmb.ca.gov

Auditor: Gladys Onejeme

SUMMARY

The Board's Audits and Evaluations Unit audited the following contracts for the period of January 1, 2006 through December 31, 2009: San Luis Obispo County Office of Education (Contract No. IWM05025), State Education & Environment Roundtable (No. IWM05026), R. W. Beck, Inc. (No. IWM05030), and A.J. Diani Construction (No. IWM05067).

The purpose of the audit was to determine whether:

- The contracts were executed by Board in accordance with loan agreements, applicable State laws, policies, and procedures
- The contract managers provided support and fiscal oversight to ensure that contract payments were accurate and properly monitored
- Contracts were executed in a manner that safeguards the interests of Board and the State

BACKGROUND

The audit authority is based on the Board's Strategic Directive 10 (SD-10), State Administrative Manual, Chapter 1200; and Board Administrative Manual, Section 8000. The Audits and Evaluations Unit shall audit the Board contracts, claims, and payments for accuracy, legality, and sufficient provision of law. Furthermore, SD-10 requires that the Audits and Evaluations Unit conduct regular audits of Board's fiscal processes.

OBJECTIVES, SCOPE, AND METHODOLOGY

The audit was conducted in accordance with *Government Auditing Standards*. The standards require the audit to be planned and performed to obtain sufficient and appropriate evidence. The evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

The specific objectives of the audit were to determine whether the Board:

- Monitors contracts and that all contracts are valid, properly authorized, and approved by responsible staff
- Follows written policies and procedures for activities related to the contracts
- Provides adequate separation of duties over the contracting function
- Ensures that contract payments are legal, and in compliance with State laws, regulations, and policies

The procedures performed during the contract audit included:

- Review of the contracts, contract laws, rules, regulations, policies and related accounting records
- Tests of procedural compliance relative to the contract payments
- Review of the Financial Integrity and State Managers Accountability Act audit report, dated April 3, 2007, performed by the Department of Finance
- Review of the internal control procedures relating to the contracts
- Interviews and observations of the individuals involved in the development, authorization, and monitoring of each contract

CONCLUSION

The following findings were disclosed:

FINDING 1 Incomplete Contract Management System

The Contract Management System (CMS) database does not include sufficient data to assist contract managers or auditors in obtaining detailed contract information.

Board Administrative Manual, Section 8009-01(A), states in part that "Typical responsibilities of the contract manager are as follows: (6) Maintain contract documentation; (7) Monitor the contract to ensure compliance with all contract

provisions: a. Monitor progress of work to ensure that services are performed according to the quality, quantity, objectives, timeframes, and manner specified in the contract; e.g., review progress reports and interim products. b. Ensure that all work is completed and accepted by the agency before the contract expires; and (10) Monitor contract expenditures to: a. Ensure there are sufficient funds to pay for all services rendered as required by contract. b. Identify low spending levels and consider partial disencumbrance of funds.”

RECOMMENDATION:

The CMS database should be maintained with complete, accurate, and current contract information.

FINDING 2 – Missing Contract

The BAO could not provide the file for contract # IWM05026, State Education & Environment Roundtable (SEER).

RECOMMENDATION:

The contract analyst should ensure that all contract files are properly and accurately maintained, and use a check-out system when a file is removed.

VIEWS OF RESPONSIBLE OFFICIAL

The Audits and Evaluations Unit issued a draft audit report on September 17, 2009. Theresa Bober, Manager, responded by e-mail dated November 04, 2009 (Attachment), and agreed with the audit results. This final audit report includes the BAO's response.

RESTRICTED USE

This report is intended for the information and use of the BAO. However, this report is a matter of public record and distribution is not limited.

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RESPONSE TO AUDIT REPORT

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Onejeme, Gladys

From: Bober, Theresa
Sent: Wednesday, November 04, 2009 3:03 PM
To: Kono, Brian
Cc: Onejeme, Gladys; Roberson, Wendy; Lewis, Shelly; Rubens, Colleen; Welch, Michael
Subject: RE: Written Response Contract Audit

Brian and Gladys,

I have reviewed the findings and recommendations issued to BAO from the Audits unit. Per your findings, the Contract Analyst will strive to maintain complete, accurate, and current contract information on the CMS system.

In addition, I will remind the contract analysts to use the check-out system when a contract is removed from our files.

Thank you for the time and effort that you spent reviewing our contracts.

Regards,

Theresa Bober
CIWMB
916-341-6617

From: Kono, Brian
Sent: Wednesday, November 04, 2009 2:01 PM
To: Bober, Theresa
Cc: Onejeme, Gladys
Subject: RE: Written Response Contract Audit

Hi Theresa.

Gladys was wondering if a response from the Business Administration Office (BAO) will be issued to the Audits and Evaluations Unit to address the two findings outlined in the attached Contracts draft audit report. The report was issued to BAO on September 17, 2009. Please let me know if you have any additional questions, and I would be happy to discuss with you the response process.

Thanks.

EVALUATION OF RESPONSE TO AUDIT REPORT

During the course of the audit, the following two findings were identified:

FINDING 1 Incomplete Contract Management System

The auditor informed BAO representative that the Contract Management System (CMS) database does not include sufficient data to assist contract managers or auditors in obtaining detailed contract information.

Theresa Bober, Manager, responded that the contract analyst would begin to maintain complete, accurate, and current contract information on the CMS system. As a result, the finding has been resolved.

FINDING 2 Missing Contract

The auditor informed BAO representative of the missing contract files, for Contract Number #IWM05026, State Education & Environment Roundtable.

Theresa Bober responded that the contract analyst would implement a policy to use check-out system when a contract is removed from the files. Accordingly, the finding has been resolved.

